

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 6286**

**BILL NUMBER: SB 83**

**NOTE PREPARED:** Jan 22, 2007

**BILL AMENDED:** Jan 18, 2007

**SUBJECT:** State Agency Contracts.

**FIRST AUTHOR:** Sen. Kenley

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:** ☒ **GENERAL**  
**DEDICATED**  
**FEDERAL**

**IMPACT:** State

**Summary of Legislation:** The bill provides that before a state agency may enter into certain contracts or agreements, the state agency must conduct a public hearing and the state Budget Committee must make a recommendation to the Budget Agency.

It specifies that these requirements apply only to a contract or agreement that is first entered into by a state agency and a private contractor or vendor after June 30, 2007, and under which:

- (1) the initial term of the contract or agreement plus the term of any possible renewal or extension periods is at least four years;
- (2) the amount to be paid by the state agency during the initial term and possible renewal or extension periods is, or is estimated to be, at least \$10,000,000; and
- (3) the private contractor or vendor will provide services that before the effective date of the contract or agreement are provided directly by employees of the state agency.

The bill also provides that if services are being provided by a contractor or vendor under such a contract, a state agency may have employees of the state agency directly provide the services only if the state agency conducts a public hearing and the state Budget Committee makes a recommendation to the Budget Agency.

**Effective Date:** July 1, 2007.

**Explanation of State Expenditures:** The bill will have indeterminate but potentially increased costs for public hearings by state agencies and meetings of the state Budget Committee.

*Background:* Under the bill, a state agency undertaking a contract or an agreement with a private contractor

or vendor to provide a service currently provided by the agency, or undertaking to provide a service currently provided by a private contractor or vendor, must first hold a public hearing and the Budget Committee must make a recommendation to the Budget Agency. For services currently provided by employees of the state agency, the requirements apply if the term of contract including extensions is greater than four years or if the cost is greater than \$10.0 M. The requirement does not apply to services currently provided by private contractors or vendors if the director or administrative head of the agency declares an emergency.

The Budget Committee consists of five members including the Budget Director and four legislatively appointed members.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Budget Committee; Budget Agency; All state agencies.

**Local Agencies Affected:**

**Information Sources:**

**Fiscal Analyst:** Diane Powers, 317-232-9853.